

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORP

Form 6-K

August 26, 2014

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of August, 2014**

**Commission File Number: 001-31994**

**Semiconductor Manufacturing International Corporation**

(Translation of registrant's name into English)

**18 Zhangjiang Road**

**Pudong New Area, Shanghai 201203**

**People's Republic of China**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

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Form 20-F       Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes       No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

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This announcement is for information purposes only and does not constitute an invitation or a solicitation of an offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities. This announcement is not an offer of securities for sale in the PRC, Hong Kong and the United States or elsewhere. The Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares are not available for general subscription in Hong Kong or elsewhere.

This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares mentioned herein have not been, and will not be, registered under the Securities Act, and may not be offered or sold in the United States except pursuant to registration or an exemption from the registration requirements of the Securities Act. No public offering of the Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares will be made in the United States.

SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

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(incorporated in the Cayman Islands with limited liability)

(Stock Code: 981)

NON-EXEMPT CONNECTED TRANSACTIONS

PRE-EMPTIVE SUBSCRIPTIONS BY DATANG AND COUNTRY HILL

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

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\* for identification purpose only

## BACKGROUND

### The Top-up Placing and the Top-up Subscription

References are made to the Company's announcements dated 4 June 2014 and 12 June 2014, relating to, among other things, the Placing and Subscription Agreement pursuant to which each of the Joint Placing Agents agreed, severally but not jointly, to purchase or to procure purchasers to purchase the 2,590,000,000 Sale Shares held by Datang at the price of HK\$0.60 per Sale Share.

Following completion of the Placing on 9 June 2014 and completion of the Subscription on 12 June 2014, (i) a total of 2,590,000,000 Sale Shares were successfully placed by the Joint Placing Agents to placees who were third parties independent of and not connected with the Company and its connected persons, at the placing price of HK\$0.60 per Sale Share, and (ii) 2,590,000,000 Subscription Shares were issued and allotted to Datang at the price of HK\$0.60 per Subscription Share pursuant to the Placing and Subscription Agreement. The Subscription Shares were allotted and issued to Datang pursuant to the 2013 General Mandate and rank pari passu in all respects with the Shares. The issue of the Subscription Shares was not subject to the approval of the Shareholders and the Subscription Shares were listed on the Hong Kong Stock Exchange on 12 June 2014.

### The issue of the Further Bonds

References are made to the Company's announcements dated 4 June 2014 and 24 June 2014, relating to, among other things, (i) the Further Bonds Subscription Agreement pursuant to which each of the Joint Managers agreed to subscribe for and pay for, or to procure subscribers to subscribe for and pay for the Further Bonds to be issued by the Company in an aggregate principal amount of US\$95 million, and (ii) the completion of the issue of the Further Bonds. The Further Bonds will be convertible into 924,738,230 Shares, assuming full conversion of the Further Bonds at the initial Conversion Price of HK\$0.7965. Following completion of the issue of the Further Bonds on 24 June 2014, the Further Bonds were listed and quoted on the bonds market on the Singapore Exchange on 25 June 2014.

## PRE-EMPTIVE RIGHTS OF DATANG AND THE DATANG PRE-EMPTIVE SUBSCRIPTION

References are made to the Company's announcements dated 10 November 2008, 4 June 2014 and 18 June 2014 in relation to the Datang Share Purchase Agreement and the delivery by Datang of an irrevocable notice to the Company that it will fully exercise its pre-emptive right in respect of the issue of the Subscription Shares, the Further Bonds and any Country Hill Pre-emptive Subscription.

### The Datang Pre-emptive Share Subscription Agreement

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On 22 August 2014, the Company entered into the Datang Pre-emptive Share Subscription Agreement with Datang, pursuant to which, on and subject to the terms of the Datang Pre-emptive Share Subscription Agreement, the Company conditionally agreed to issue, and Datang conditionally agreed to subscribe for, the Datang Pre-emptive Shares. The subscription by Datang of the Datang Pre-emptive Shares will be at a price equivalent to the Subscription Price, and conditional upon the obtaining of the necessary governmental approvals and the approval of the Independent Shareholders.

#### The Datang Pre-emptive Bond Subscription Agreement

On 22 August 2014, the Company entered into the Datang Pre-emptive Bond Subscription Agreement with Datang, pursuant to which, on and subject to the terms of the Datang Pre-emptive Bond Subscription Agreement, the Company conditionally agreed to issue, and Datang conditionally agreed to subscribe for, the Datang Pre-emptive Bonds in an aggregate principal amount of US\$22,200,000 for a total cash consideration of US\$22,533,000 which is 101.5% of the aggregate principal amount of the Further Bonds, based on terms and conditions that are substantially the same as the issue of the Further Bonds, and conditional upon the obtaining of the necessary governmental approvals and the approval of the Independent Shareholders. The Datang Pre-emptive Bonds will be consolidated and form a single series with the Original Bonds and the Further Bonds.

The Conversion Price will initially be HK\$0.7965 per Share (which is approximately the net Conversion Price per Share), but will be subject to adjustment, with a fixed exchange rate of HK\$7.7532 = US\$1.00. Based on the initial Conversion Price of HK\$0.7965 per Share and assuming full conversion of the Datang Pre-emptive Bonds at the initial Conversion Price, the Datang Pre-emptive Bonds will be convertible into 216,096,723 Shares, representing approximately 0.62% of the issued share capital of the Company on the last full trading day immediately before execution of the Datang Pre-emptive Bond Subscription Agreement and approximately 0.62% of the issued share capital of the Company as enlarged by and assuming full conversion of the Datang Pre-emptive Bonds.

#### The Datang Supplemental Agreement

On 22 August 2014, the Company entered into the Datang Supplemental Agreement with Datang and Datang Telecom to amend the pre-emptive rights provision in the Datang Share Purchase Agreement in order to give effect to the parties' understanding of the purpose of the pre-emptive rights provision.

#### PRE-EMPTIVE RIGHTS OF COUNTRY HILL AND THE COUNTRY HILL PRE-EMPTIVE SUBSCRIPTION

References are made to the Company's announcements dated 18 April 2011, 4 June 2014 and 18 June 2014 in relation to the Country Hill Subscription Agreement and the delivery by Country Hill of an irrevocable notice to the Company that it will exercise its pre-emptive right in respect of the issue of the Subscription Shares only for a total consideration of an amount equivalent to approximately US\$20.6 million.

On 22 August 2014, the Company entered into the Country Hill Pre-emptive Subscription Agreement with Country Hill, pursuant to which, on and subject to the terms of the Country Hill Pre-emptive Subscription Agreement, the Company conditionally agreed to issue, and Country Hill conditionally agreed to subscribe for, the Country Hill Pre-emptive Shares. The subscription by Country Hill of the Country Hill Pre-emptive Shares will be at a price equivalent to the Subscription Price, and conditional upon the approval of the Independent Shareholders.

## IMPLICATIONS OF THE LISTING RULES

Datang currently holds 17.55% of the entire existing issued share capital of the Company. Country Hill currently holds 10.35% of the entire existing issued share capital of the Company. As each of Datang and Country Hill is a substantial Shareholder of the Company by virtue of their respective shareholding interest, each of them is a connected person of the Company and the entering into of the Datang Pre-emptive Share Subscription Agreement, the Datang Pre-emptive Bond Subscription Agreement, the Datang Supplemental Agreement and the Country Hill Pre-emptive Subscription Agreement as well as the transactions contemplated thereunder (including the allotment and issue of the Datang Pre-emptive Shares, the issue of the Datang Pre-emptive Bonds and the allotment and issue of the Country Hill Pre-emptive Shares and any Datang Conversion Shares) will constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Datang Pre-emptive Share Subscription Agreement, the Datang Pre-emptive Bond Subscription Agreement, the Datang Supplemental Agreement and the Country Hill Pre-emptive Subscription Agreement and the transactions contemplated thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under the Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, an Independent Board Committee (consisting of all the independent non-executive Directors who have no direct or indirect interest in the Datang Pre-emptive Subscription, the Datang Supplemental Agreement and the Country Hill Pre-emptive Subscription, other than, where applicable, being a Shareholder) has been established to advise the Independent Shareholders as to whether the respective terms of the Datang Pre-emptive Share Subscription Agreement, the Datang Pre-emptive Bond Subscription Agreement, the Datang Supplemental Agreement and the Country Hill Pre-emptive Subscription Agreement are fair and reasonable, whether the entering into of the Datang Pre-emptive Share Subscription Agreement, the Datang Pre-emptive Bond Subscription Agreement, the Datang Supplemental Agreement and the Country Hill Pre-emptive Subscription Agreement is on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

## GENERAL

At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to approve (i) the Datang Pre-emptive Share Subscription Agreement and the allotment and issue of the Datang Pre-emptive Shares, (ii) the Datang Pre-emptive Bond Subscription Agreement, the issue of the Datang Pre-emptive Bonds, and the allotment and issue of the Datang Conversion Shares, (iii) the grant of the Datang Pre-emptive Specific Mandate, (iv) the Datang Supplemental Agreement, (v) the Country Hill Pre-emptive Subscription Agreement and the allotment and issue of the Country Hill Pre-emptive Shares and (vi) the grant of the Country Hill Pre-emptive Specific Mandate.



Datang and its associates, being connected persons of the Company in respect of the Datang Pre-emptive Subscription, will abstain from voting on the ordinary resolutions to approve (i) the Datang Pre-emptive Share Subscription Agreement and the allotment and issue of the Datang Pre-emptive Shares, (ii) the Datang Pre-emptive Bond Subscription Agreement, the issue of the Datang Pre-emptive Bonds, and the allotment and issue of the Datang Conversion Shares, (iii) the grant of the Datang Pre-emptive Specific Mandate, and (iv) the Datang Supplemental Agreement.

Country Hill and its associates, being connected persons of the Company in respect of the Country Hill Pre-emptive Subscription, will abstain from voting on the ordinary resolutions to approve (i) the Country Hill Pre-emptive Subscription Agreement and the allotment and issue of the Country Hill Pre-emptive Shares, and (ii) the grant of the Country Hill Pre-emptive Specific Mandate.

A circular containing, among other things, further details on the Datang Pre-emptive Subscription, the Country Hill Pre-emptive Subscription, the Datang Supplemental Agreement, a letter from the Independent Board Committee and an opinion from the Independent Financial Adviser together with the notice convening the EGM to approve (i) the Datang Pre-emptive Subscription, the allotment and issue of the Datang Pre-emptive Shares and issue of the Datang Pre-emptive Bonds (and the allotment and issue of Datang Conversion Shares thereunder), (ii) the Country Hill Pre-emptive Subscription and the issue of the Country Hill Pre-emptive Shares, (iii) the Pre-emptive Specific Mandates, and (iv) the Datang Supplemental Agreement will be despatched to the Shareholders as early as practicable in accordance with the requirements of the Listing Rules.

An application will be made by the Company to the Listing Committee of the Hong Kong Stock Exchange for the granting of the approval for the listing of, and permission to deal in, the Datang Pre-emptive Shares, the Datang Conversion Shares and the Country Hill Pre-emptive Shares. An application will be made by the Company to the Singapore Exchange for the listing and quotation of the Datang Pre-emptive Bonds on the bonds market of the Singapore Exchange.

#### UNITED STATES SECURITIES LAW MATTERS

The Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to US persons (as defined in the Securities Act) unless the securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. There will be no public offering of the Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares in the United States. This announcement does not constitute an offer of any securities for sale.

Shareholders and potential investors should note that completion of the Datang Pre-emptive Subscription and the Country Hill Pre-emptive Subscription is subject to fulfilment of the conditions under the Datang Pre-emptive Share Subscription Agreement, the Datang Pre-emptive Bond Subscription Agreement and the Country Hill Pre-emptive Subscription Agreement and may be terminated in certain circumstances. As the allotment and issue of the Datang Pre-emptive Shares, the issue of the Datang Pre-emptive Bonds and the allotment and issue of the Country Hill Pre-emptive Shares may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. When in doubt, investors are recommended to consult their professional adviser(s).

## BACKGROUND

### The Top-up Placing and the Top-up Subscription

References are made to the Company's announcements dated 4 June 2014 and 12 June 2014, relating to, among other things, the Placing and Subscription Agreement pursuant to which each of the Joint Placing Agents agreed, severally but not jointly, to purchase or to procure purchasers to purchase the 2,590,000,000 Sale Shares held by Datang at the price of HK\$0.60 per Sale Share.

Following completion of the Placing on 9 June 2014 and completion of the Subscription on 12 June 2014, (i) a total of 2,590,000,000 Sale Shares were successfully placed by the Joint Placing Agents to placees, who were third parties independent of and not connected with the Company and its connected persons, at the placing price of HK\$0.60 per Sale Share, and (ii) 2,590,000,000 Subscription Shares were issued and allotted to Datang at the price of HK\$0.60 per Subscription Share pursuant to the Placing and Subscription Agreement. The Subscription Shares were allotted and issued to Datang pursuant to the 2013 General Mandate and rank pari passu in all respects with the Shares. The issue of the Subscription Shares was not subject to the approval of the Shareholders and the Subscription Shares were listed on the Hong Kong Stock Exchange on 12 June 2014.

### The issue of the Further Bonds

References are made to the Company's announcements dated 4 June 2014 and 24 June 2014, relating to, among other things, (i) the Further Bonds Subscription Agreement pursuant to which each of the Joint Managers agreed to subscribe for and pay for, or to procure subscribers to subscribe for and pay for the Further Bonds to be issued by the Company in an aggregate principal amount of US\$95 million, and (ii) the completion of the issue of the Further Bonds. The Further Bonds will be convertible into 924,738,230 Shares, assuming full conversion of the Further Bonds at the initial Conversion Price of HK\$0.7965. Following completion of the issue of the Further Bonds on 24 June 2014, the Further Bonds were listed and quoted on the bonds market of the Singapore Exchange on 25 June 2014.

## THE DATANG PRE-EMPTIVE SUBSCRIPTION

### Pre-emptive rights of Datang

References are made to the Company's announcements dated 10 November 2008, 4 June 2014 and 18 June 2014 in relation to the Datang Share Purchase Agreement and the delivery by Datang of an irrevocable notice to the Company that it will fully exercise its pre-emptive right in respect of the issue of the Subscription Shares and the Further Bonds and any Country Hill Pre-emptive Subscription.

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Pursuant to the Datang Share Purchase Agreement, in case of any issue of new Shares or securities convertible into Shares, subject to certain exceptions, Datang has the pre-emptive right to purchase such number of additional Shares or securities convertible into Shares so as to enable Datang to hold, after the issue of such securities, a pro rata portion of such securities equivalent to the percentage of the issued share capital of the Company then beneficially owned by Datang prior to the issue of such securities. Datang's pre-emptive right is applicable to the issue of the Subscription Shares, the Further Bonds and any Country Hill Pre-emptive Subscription. Pursuant to the Datang Share Purchase Agreement, completion of any such issue of the Datang Pre-emptive Shares and the Datang Pre-emptive Bonds to Datang upon exercise of its pre-emptive right will be further subject to the receipt of any required regulatory approvals.

Any exercise by Datang of its pre-emptive right to subscribe for the Datang Pre-emptive Shares and the Datang Pre-emptive Bonds in connection with the issue of the Subscription Shares, the Further Bonds and any Country Hill Pre-emptive Subscription will be at a price equivalent to the Subscription Price (in the case of the Datang Pre-emptive Shares) or at a price equivalent to the issue price of the Further Bonds (in the case of the Datang Pre-emptive Bonds) and conditional on the obtaining of the necessary governmental approval and the obtaining of the approval of the Independent Shareholders for the Datang Pre-emptive Subscription.

The Company has notified Datang in accordance with the terms of the Datang Share Purchase Agreement in respect of the issue of the Subscription Shares, the issue of the Further Bonds and the possibility of the Country Hill Pre-emptive Subscription. Pursuant to the Datang Share Purchase Agreement, Datang delivered an irrevocable notice to the Company on 18 June 2014 that it would be fully exercising its pre-emptive right in respect of the issue of the Subscription Shares, the Further Bonds and the Country Hill Pre-emptive Subscription. The subscription by Datang of the Datang Pre-emptive Shares and the Datang Pre-emptive Bonds will be based on terms and conditions that are substantially the same as the Placing, the Subscription and the issue of the Further Bonds.

The Datang Pre-emptive Securities were calculated in accordance with Datang's shareholding immediately before the Company's entry into the Placing and Subscription Agreement and the Further Bonds Subscription Agreement, being approximately 18.98% of the issued share capital of the Company. As a result of the place down of Shares by Datang under the Placing and the dilutive effect of the Subscription pursuant to the Placing and Subscription Agreement, Datang's shareholding immediately before the issue of the Subscription Shares and immediately before the issue of the Further Bonds were approximately 10.94% and 17.56% of the issued share capital of the Company, respectively. However, the parties have agreed that it is fair and reasonable for Datang's pre-emptive right to be based on its shareholding immediately before the date of the Placing and Subscription Agreement and the Further Bonds Subscription Agreement, being 18.98%, in order to give effect to the purpose of the relevant pre-emptive rights provision in the Datang Share Purchase Agreement. Datang, Datang Telecom and the Company have further agreed to enter into the Datang Supplemental Agreement to amend the pre-emptive rights provision in the Datang Share Purchase Agreement to give effect to this understanding.

#### The Datang Pre-emptive Share Subscription Agreement

On 22 August 2014, the Company entered into the Datang Pre-emptive Share Subscription Agreement with Datang, pursuant to which, on and subject to the terms of the Datang Pre-emptive Share Subscription Agreement, the Company conditionally agreed to issue, and Datang conditionally agreed to subscribe for, the Datang Pre-emptive Shares. The subscription by Datang of the Datang Pre-emptive Shares will be at a price equivalent to the Subscription Price, and conditional upon the obtaining of the necessary governmental approvals and the approval of the Independent Shareholders.

The principal terms of the Datang Pre-emptive Share Subscription Agreement are set out below:

Date: 22 August 2014

Parties: (i) Datang as the subscriber; and



(ii) the Company as the issuer.

Interest to be acquired: The Datang Pre-emptive Shares represent (i) approximately 1.92% of the total issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.89% of the issued share capital of the Company as enlarged by the issue of the Datang Pre-emptive Shares.

Consideration: The total cash consideration payable by Datang is HK\$401,681,371.20 comprising 669,468,952 Shares in aggregate of HK\$0.60 per Share.

Subscription Price: The subscription price of HK\$0.60 per Share represents:

(1) a discount of approximately 17.81% over the Closing Price of HK\$0.730 per Share as quoted on the Hong Kong Stock Exchange on the last full trading day immediately before execution of the Datang Pre-emptive Share Subscription Agreement;

(2) a discount of approximately 18.70% over the volume weighted average Closing Price of HK\$0.738 per Share for the last five consecutive trading days up to and including the last full trading day immediately before execution of the Datang Pre-emptive Share Subscription Agreement; and

(3) a discount of approximately 17.13% over the volume weighted average Closing Price of HK\$0.724 per Share for the last ten consecutive trading days up to and including the last full trading day immediately before execution of the Datang Pre-emptive Share Subscription Agreement.

Proposed issue of the Datang Pre-emptive Shares: Subject to the fulfilment of the conditions set out below in the section headed Conditions Precedent .

Conditions Precedent: Completion of the subscription of the Datang Pre-emptive Shares is conditional upon the fulfilment of the following conditions:

1. Listing: the Hong Kong Stock Exchange having agreed to list the Datang Pre-emptive Shares (and such listing permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Datang Pre-emptive Shares);

2. Independent Shareholder s approval for the issue of Datang Pre-emptive Shares: the Company having obtained the approval of the Independent Shareholders in general meeting of the subscription by Datang of Datang Pre-emptive Shares and a specific mandate to the issue of the Datang Pre-emptive Shares at closing pursuant to the Datang Pre-emptive Share Subscription Agreement;

3. No governmental prohibition: the issue of the Datang Pre-emptive Shares by the Company and the subscription of the Datang Pre-emptive Shares by Datang not being prohibited by any law or governmental order or regulation, and Datang having obtained government approvals or consent for subscription of the Datang Pre-emptive Shares from the PRC Ministry of Commerce, the National Development and Reform Commission, and the State Administration of Foreign Exchange.

4. The Company has agreed to, as soon as is reasonably practicable:

(i) take such steps as are necessary to hold the general meeting with a view to obtain the approvals required under condition 2 above; and

(ii) apply to the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, the Datang Pre-emptive Shares and use all reasonable endeavours to obtain the granting of such listing and permission to deal by the Hong Kong Stock Exchange as soon as is reasonably practicable.

Company lock-up undertaking:

The Company has undertaken to Datang that for a period commencing on the date of the Datang Pre-emptive Share Subscription Agreement and ending on the date falling on 90 days after that date (inclusive), the Company will not, except for the issue of (1) the Datang Pre-emptive Shares, the Datang Pre-emptive Bonds (or any Datang Conversion Shares to be issued thereunder) and the Country Hill Pre-emptive Shares; (2) any Shares issuable under the Original Bonds, the Original Pre-emptive Bonds and the Further Bonds; (3) securities under the terms of any employee share scheme of the Company or any other scheme that has been publicly announced or disclosed by the Company as of the date of the Datang Pre-emptive Share Subscription Agreement; (4) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with its articles of association; and (5) Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shares which are issued as consideration for any merger or acquisition provided that (A) the aggregate value of the Shares issued (as calculated by the current market price is less than US\$100,000,000 and (B) the Company procures that the person receiving such Shares executes a shareholder lock-up undertaking on substantially the same terms as provided in this Clause prior to any such issue:

(a) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Share(s) or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shares or interest in Shares; or

(b) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (a) above; or

(c) announce any intention to enter into or effect any such transaction described in (a) or (b) above,

without first having obtained the written consent of Datang (such consent not to be unreasonably withheld or delayed).

Termination:

If at any time prior to 9 : 00 a.m. (Hong Kong time) on the second business day after the date upon which the last of the Conditions to be satisfied shall have been so satisfied or waived or such other time and/ or date as Datang and the Company may agree in writing:

1. there develops, occurs or comes into force:

(a) any new law or regulation or any change or development involving a prospective change in existing laws or regulations in any relevant jurisdiction which in the opinion of Datang has or is likely to have a material adverse effect on the financial position of the Group as a whole; or

(b) any significant change (whether or not permanent) in local, national or international monetary, economic, financial or political conditions which in the opinion of Datang is or would be materially adverse to the success of the subscription of the Datang Pre-emptive Shares; or

(c) any significant change (whether or not permanent) in local, national or international securities market conditions or currency exchange rates or foreign exchange rates or foreign exchange controls which in the reasonable opinion of Datang is or would be materially adverse to the success of Datang or make it impracticable or inexpedient to proceed therewith; or

(d) a general moratorium on commercial banking activities in Hong Kong, the PRC, London or New York declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC, Singapore, the United Kingdom or the United States; or

(e) a change or development involving a prospective change in Taxation which materially adversely affects the Group as a whole or the Datang Pre-emptive Shares; or

(f) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong, the PRC, Singapore, the United Kingdom or the United States or the declaration by Hong Kong, the PRC, Singapore, the United Kingdom or the United States of a national emergency or war; or



(g) any suspension of dealings in the Shares on the Hong Kong Stock Exchange or American Depository Shares over the Shares on the New York Stock Exchange for any period whatsoever (other than a voluntary suspension or as a result of the Subscription, the Announcement or in connection with the issuance of the Datang Pre-emptive Securities and the Country Hill Pre-emptive Shares); or

(h) any moratorium, suspension or material restriction on trading in shares or securities generally on the Hong Kong Stock Exchange, the Shanghai stock exchange, the London Stock Exchange or the New York Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Datang Pre-emptive Share Subscription Closing Date; or

2. any breach of any of the representations, warranties and undertakings set out in the Datang Pre-emptive Share Subscription Agreement comes to the knowledge of Datang or any event occurs or any matter arises on or after the date of the Datang Pre-emptive Share Subscription Agreement and prior to the Datang Pre-emptive Share Subscription Closing Date which if it had occurred or arisen before the date of the Datang Pre-emptive Share Subscription Agreement would have rendered any of such representations, warranties and undertakings untrue or incorrect in any respect, or there has been a breach of, or failure to perform, any other provision of the Datang Pre-emptive Share Subscription Agreement on the part of the Company; or

3. there is any such adverse change, or development involving a prospective adverse change in the general affairs, condition, results of operations or prospects, management, business or in the financial or trading position of the Group as a whole which in the opinion of Datang is materially adverse to the success of the subscription of the Datang Pre-emptive Shares,

then and in any such case, Datang may terminate the Datang Pre-emptive Share Subscription Agreement without liability to it and/or the Company (other than for any antecedent breach) by giving notice in writing to the Company, which notice may be given at any time prior to 9 : 00 a.m. (Hong Kong time) on the Datang Pre-emptive Share Subscription Closing Date.

Completion of the Datang  
Pre-emptive Share Subscription

Completion of the subscription of the Datang Pre-emptive Shares will take place on the  
Datang Pre-emptive Share Subscription Closing Date.

The Datang Pre-emptive Bond Subscription Agreement

On 22 August 2014, the Company entered into the Datang Pre-emptive Bond Subscription Agreement with Datang, pursuant to which, on and subject to the terms of the Datang Pre-emptive Bond Subscription Agreement, the Company conditionally agreed to issue, and Datang conditionally agreed to subscribe for, the Datang Pre-emptive Bonds in an aggregate principal amount of US\$22,200,000 for a total cash consideration of US\$22,533,000 which is 101.5% of the aggregate principal amount of the Further Bonds, based on terms and conditions that are substantially the same as the issue of the Further Bonds, and conditional upon the obtaining of the necessary governmental approvals and the approval of the Independent Shareholders. The Datang Pre-emptive Bonds will be consolidated and form a single series with the Original Bonds and Further Bonds.

The Conversion Price will initially be HK\$0.7965 per Share (which is approximately the net Conversion Price per Share), but will be subject to adjustment, with a fixed exchange rate of HK\$7.7532 = US\$1.00. Based on the initial Conversion Price of HK\$0.7965 per Share and assuming full conversion of the Datang Pre-emptive Bonds at the initial Conversion Price, the Datang Pre-emptive Bonds will be convertible into 216,096,723 Shares, representing approximately 0.62% of the issued share capital of the Company on the last full trading day immediately before execution of the Datang Pre-emptive Bond Subscription Agreement and approximately 0.62% of the issued share capital of the Company as enlarged by and assuming full conversion of the Datang Pre-emptive Bonds.

The principal terms of the Datang Pre-emptive Bond Subscription Agreement are set out below:

Date:	22 August 2014
Parties:	(i) Datang as the subscriber; and (ii) the Company as the issuer
Proposed issue of the Datang Pre-emptive Bonds:	Subject to the fulfilment of the conditions set out below in the section headed Conditions Precedent .
Conversion of the Datang Pre-emptive Bonds	Based on the initial Conversion Price of HK\$0.7965 and assuming full conversion of the Datang Pre-emptive Bonds at the initial Conversion Price, the Datang Pre-emptive Bonds will be convertible into 216,096,723 Shares, representing approximately 0.62% of the total issued share capital of the Company on the last full trading day immediately before execution of the Datang Pre-emptive Bond Subscription Agreement and approximately 0.62% of the issued share capital of the Company as enlarged by and assuming full conversion of the Datang Pre-emptive Bonds. The Shares issuable upon conversion of the Datang Pre-emptive Bonds will be allotted and issued pursuant to the Datang Pre-emptive Specific Mandate to be granted to the Board by the Independent Shareholders at the EGM and will rank pari passu in all respects with the Shares then in issue on the relevant conversion date. The issue of the Datang Pre-emptive Bonds is subject to the approval of the Independent Shareholders at the EGM.

Conditions Precedent:

The obligations of Datang to subscribe for and pay for the Datang Pre-emptive Bonds are subject to, among others, the following conditions precedent:

1. Other contracts: the execution and delivery of the other contracts by the respective parties;
2. Compliance: at the Datang Pre-emptive Bond Subscription Closing Date:
  - a. the representations and warranties of the Company being true, accurate and correct;
  - b. the Company having performed all its obligations under the Datang Pre-emptive Bond Subscription Agreement; and
  - c. there having been delivered to Datang a certificate of a duly authorised officer of the Company;
3. Material adverse change: up to the Datang Pre-emptive Bond Subscription Closing Date, there not having occurred any change (nor any development or event reasonably likely to involve a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Company or of the Group, which, in the opinion of Datang, is material and adverse in the context of the issue of the Datang Pre-emptive Bonds;
4. Other consents: all resolutions, consents, authorities and approvals required in relation to the issue of the Datang Pre-emptive Bonds and the performance of its obligations under the trust deed, the agency agreement and the Datang Pre-emptive Bonds (including the consents and approvals required from all lenders) having been obtained by the Company;
5. Listing: the Hong Kong Stock Exchange having agreed to list the Datang Conversion Shares and the Singapore Exchange having agreed, subject to any conditions reasonably satisfactory to Datang, to list the Datang Pre-emptive Bonds (or, in each case, Datang being reasonably satisfied that such listing will be granted);
6. Legal opinions: there having been delivered to Datang copies of certain legal opinions issued for the Further Bonds.

The obligations of the Company to issue, and Datang to subscribe, the Datang Pre-emptive Bonds are conditional on: